

Kentucky Agricultural Finance Corporation

Minutes of the June K AFC Meeting

The meeting of the Kentucky Agricultural Finance Corporation was held on June 25, 2004 at 9:30 AM EDT, in the Capital Annex, room 118, Frankfort. Commissioner Richie Farmer, presiding, called the meeting to order, and the Secretary called the roll.

Members Present

Harold Benson; Commissioner Richie Farmer; Doug Lawson; Billy Joe Miles; Bob Proffitt; Sandy Ross; Robbie Rudolph (Tom Howard, designee); Annette Crawford-Walters

Members Absent

Wayne Hunt; Billy Hurd; Jane Jones; Charles Miller

Others Present

Staff- Keith Rogers; Catherine Ball; David Bratcher; Brian Furnish; Kara Keeton; Bill McCloskey **Guests-** Lowell Atchley, Legislative Research Commission (LRC); Jimmy Baird, Little Kentucky Smokehouse; Biff Baker, LRC; Philippe Barnoud, Triad Foods Group; Steve Downey, Apo Immune; Mark Farrow, KY Department of Agriculture (KDA)

Notification of Media

Commissioner Farmer received verification from Keith L. Rogers, Executive Director, that the media had received notice, regarding the Kentucky Agricultural Finance Cooperation meeting.

Welcome

Commissioner Farmer welcomed everyone to the meeting.

Approval of Minutes

Commissioner Farmer noted there was a change in the minutes of the March 12, 2004 meeting and asked Keith to clarify. David Bratcher clarified that on page 3 of the minutes the true rate for a guaranteed loan is 6.6% not 6.2%. Doug Lawson moved to approve the amended the minutes; Annette Crawford-Walter seconded the motion. The motion passed without dissent.

Executive Director's Report

Commissioner Farmer yielded the floor to Keith Rogers for the Executive Director's report.

Mr. Rogers introduced Steve Downey with Apo Immune, an early stage biotech company based in Louisville, KY. Mr. Downey gave a presentation on Apo Immune and the current development of a therapeutic cancer vaccine utilizing tobacco proteins. *[A copy of presentation on file with secretary.]*

Billy Joe Miles asked about the cost of Phase I. Mr. Downey responded 1-2 million dollars.

Mr. Rogers explained that the Governor is putting together a project team and the General Assembly set aside \$5 million in 2003 for the Natural Product fund, which is available to solicit these types of companies and bring them to Kentucky. Additionally, Maelor Davis at UK is developing a modified tobacco plant to be licensed to the companies.

Mr. Downey concluded the presentation by reviewing the strengths of the project, noting that they are ready for the Phase I trials, as soon as all their funding is in place.

Billy Joe Miles asked what about the percentage of cure in rats. Mr. Downey responded that there is a 70% cure rate.

Mr. Miles also asked what other sources of capital there would be. Mr. Downey explained there could be venture capital firms, but most likely there would be angel investors. Mr. Downey noted that the minimum investment is \$25,000; this is because they have to limit the number of shareholders. Mr. Downey explained that if they get over 100 share holders, then there are more reporting requirements and that gets costly. Mr. Downey noted that they have 36,934 shares of common stock and as more come in they have the opportunity to reinvest.

Mr. Miles asked how many total shares. Mr. Downey responded that there are 650-700 thousand total shares and two million are authorized.

Mr. Miles asked how much stock Jewish Hospital possessed. Mr. Downey responded 0 %.

Mr. Rogers introduced Jimmy and Linda Baird, the owners of Little Kentucky Smoke House, from Union County. Mr. Rogers noted that the Bairds have already been funded \$950,000 by the Agricultural Development Board because of their unique project. Even though Union County is not very tobacco dependent, their project benefits producers in Central Kentucky.

David Bratcher explained that the Bairds have provided a new application to the Agricultural Development Board (ADB), requesting funding for an expansion project.

Mr. Baird gave a presentation on Little Kentucky Smokehouse and presented their new idea of Fresh Meal Solutions, which is the new product line being proposed. Mr. Baird explained that Fresh Meal Solutions would be trays of packed ready to eat, never frozen meals that will maintain freshness for 30 -60 days. They would be partnering with Fleury Michan, a French company that has been producing product for eight years. Mr. Baird noted that this technology is currently not in the U.S.

Mr. Baird indicated that they want to know that they can sell the product before they advance; thus the reason for a pilot. In addition, Mr. Baird indicated that they need to find people who grow Rosemary and other herbs, in addition to the many different meats that they will need.

Mr. Baird showed a video on the new product from France.

Mr. Bratcher asked what kind of market testing Wal-mart has done for this type of product. Mr. Baird responded that they have tested with fresh cooked meat, macaroni and cheese, and mashed potatoes. Mr. Baird noted that he had been asked at a prior meeting if he would start running turkey products like he was hams. Mr. Baird indicated that they would have to have a 100,000 square foot building to do fresh meals.

Mr. Bratcher added that staff was positive on this product, but that the ADB would not be comfortable with the magnitude of this project.

Mr. Bratcher asked if there was a letter of understanding between the companies. Phillipe Barnoud from Triad Foods Group responded that is was in the proposal packet.

Mr. Miles asked Mr. Barnoud who he works for, and Mr. Barnoud responded Sara Lee.

Old Business

Mr. Rogers explained that Mr. Bratcher's personal service contract will end June 30, 2004. Plans are being discussed to have Mr. Bratcher come back for two days a week at a later date. This will be subject to an RFP. There will be a new full-time person for Kentucky Agricultural Finance Corporation in the middle of July. Brian Furnish will be managing the Agricultural Development Board's application review process.

Mr. Bratcher presented the Ohio County Revolving Loan Fund, which is the first of this type county model program to be approved. The Agricultural Development

Board will approve these as they come in as model programs and then transfer administrative authority of the county's revolving loan fund to KAFC.

Mr. Miles asked when KAFC could get its funds. Mr. Rogers responded that KAFC has \$3 million right now. Mr. Bratcher added that the exact number \$3,012,683.15 and explained that the Board has already approved one loan for Green River Cattle Company, but are expecting a revised application.

Legislative Status

Mr. Rogers announced that Senate Bill 146 was passed and signed into law, and that there were proposed regulations for KAFC. [*A copy is on file with the Secretary.*]

Catherine Ball, staff General Counsel, explained that she will be working with LRC formatting section 808.

The question was brought up if the board members would like to add anything to the regulation. Keith Rogers responded that they may have to wait until the Governor's Office of Agricultural Policy technically has control of KAFC.

Ms. Crawford-Walters asked for a motion to approve the regulations, Bob Proffitt seconded the motion. The motion passed without dissent.

New Business

Mr. Rogers explained that in the Governor's budget the Agricultural Development Board was encouraged to give five million dollars to the Natural Products fund.

Ms. Crawford-Walters brought up allocating the existing loan fund balance. She noted that she understood there would be no allocation of any certain percent to anyone. Mr. Bratcher affirmed her question and indicated that programs like Young Farmers have not yet taken off.

Mr. Rogers explained that the main duty of the new KAFC employee for the first 6-12 months will be marketing the new programs and going to Young Farmer meetings promoting this.

Mr. Rogers also explained that the combined or individual contribution to a project by either KAFC or ADB can not exceed 50% of the total project cost.

Mr. Bratcher asked about the policy on board member liability. Mr. Rogers said that he would ask General Counsel to check on this.

Adjournment

Mr. Rogers explained the next meeting date has not been scheduled.

Commissioner Farmer adjourned the meeting at 12:35 p.m.